

ST. CLAIR SHORES HOUSING COMMISSION  
ST. CLAIR SHORES, MICHIGAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
AND  
REPORTS ON COMPLIANCE AND  
ON INTERNAL CONTROL

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>St. Clair Shores Housing Commission</b>	County
Audit Date <b>12/31/04</b>	Opinion Date <b>5/11/05</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

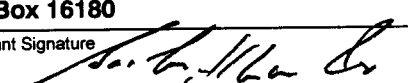
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) <b>Sailor, Khan &amp; Co</b>			
Street Address <b>P.O. Box 16180</b>	City <b>St. Louis</b>	State <b>MO</b>	ZIP <b>63105</b>
Accountant Signature 		Date <b>5/11/05</b>	

ST. CLAIR SHORES HOUSING COMMISSION  
St. Clair Shores, Michigan

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Sailor

Khan & Co.

Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
St. Clair Shores Housing Commission  
St. Clair Shores, Michigan

We have audited the accompanying basic financial statements of the St. Clair Shores Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

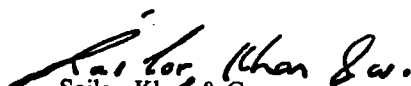
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the St. Clair Shores Housing Commission, Michigan, as of December 31, 2004, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2005, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii to vii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
Sailor, Khan & Co.  
May 11, 2005

## St. Clair Shores Housing Commission

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### Management's Discussion and Analysis (MD&A) December 31, 2004 (Unaudited)

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As management of the St. Clair Shores Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the St. Clair Shores Housing Commission's financial activities for the fiscal year ended December 31, 2004. This discussion and analysis letter of the St. Clair Shores Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial Statements.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

The combined financial statements reflect all of the Commission's federally funded programs and activities. The accompanying Financial Data Schedule reports these results in more detail, program by program. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

#### **ST. CLAIR SHORES HOUSING COMMISSION PROGRAMS**

**Low Rent Public Housing:** Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

**Capital Fund Program:** Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

**Section 8 Housing Choice Voucher Program:** Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

#### **FINANCIAL HIGHLIGHTS**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2004 were \$6,869,384. The net assets decreased by \$7,225, a decrease of 0.1% over the prior year.

Revenues and contributions for the Commission were \$1,881,432 for the year ended December 31, 2004. This was an increase of \$226,510 or 13.7% from the prior year.

Expenses for the Commission were \$1,888,657 for the year ended December 31, 2004. This was an increase of \$62,987 or 3.5% from the prior year.

HUD operating grants was \$759,703 for 2004. This was an increase of \$76,643 or 11.2% over the prior year. Capital contributions for the Commission was \$344,624 for 2004. This was an increase of \$145,793 or 73.3% over prior year

## Management's Discussion and Analysis (MD&A) - Continued

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

#### Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

#### Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2004 and is required to be included in the audit reporting package.

### FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$6,869,384 at the close of the year ended December 31, 2004 down from \$6,876,609 in 2003.

The unrestricted net assets were \$947,373 as of December 31, 2004. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF NET ASSETS  
DECEMBER 31**

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 1,217,728	\$ 1,171,882	\$ 45,846	3.9%
Capital assets	<u>5,922,011</u>	<u>5,938,863</u>	<u>(16,852)</u>	-0.3%
Total Assets	<u>7,139,739</u>	<u>7,110,745</u>	<u>28,994</u>	0.4%
Current liabilities	246,025	217,407	28,618	13.2%
Noncurrent liabilities	<u>24,330</u>	<u>16,729</u>	<u>7,601</u>	45.4%
Total Liabilities	<u>270,355</u>	<u>234,136</u>	<u>36,219</u>	15.5%
Net Assets				
Invested in capital assets	5,922,011	5,938,863	(16,852)	-0.3%
Unrestricted	947,373	937,746	9,627	1.0%
Total Net Assets	<u>\$ 6,869,384</u>	<u>\$ 6,876,609</u>	<u>\$ (7,225)</u>	-0.1%
Expendable Fund Balance	<u>\$ 949,671</u>	<u>\$ 933,529</u>	<u>\$ 16,142</u>	
No. of Months Expendable Balance	<u>7.46</u>	<u>7.63</u>	<u>(0.17)</u>	

Current and other assets stayed relatively stable, increasing by just 3.9%. Capital assets increased by \$344,624, this was more than offset by depreciation charges of \$361,476, resulting in the net decrease stated in the above table. The increase represents several capital projects funded through the Capital Fund Programs. These projects include several improvements at our two senior buildings as well as our scattered site houses.

The expendable fund balance increased by \$16,142 for the year ended December 31, 2004. The expendable fund balance is a measure of the liquidity of the entity. If all of the Commission's current assets, less materials inventory, are converted to cash, and the Commission pays all current liabilities, the amount of cash left on hand is the expendable fund balance.

The number of months expendable fund balance decreased from 7.63 months in 2003 to 7.46 months in 2004. The number of months expendable fund balance is a measure of how many months the Commission could operate under current conditions without any additional income. The number of months of expendable fund balance is calculated by dividing the total expenses for the year, less depreciation, by twelve (12) to arrive at the average monthly expenses. The expendable fund balance is then divided by the average monthly expenses to arrive at the number of months expendable fund balance.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

**Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
DECEMBER 31**

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues and Contributions</b>				
Operating - non-operating -capital				
Rental revenue	\$ 745,935	\$ 727,190	18,745	2.6%
HUD operating grants	759,703	683,060	76,643	11.2%
Interest income	19,583	27,625	(8,042)	-29.1%
Capital Contributions	344,624	198,831	145,793	73.3%
Other income	11,587	17,455	(5,868)	-33.6%
Gain on sale of fixed assets	----	761	(761)	-100.0%
Total Revenues and Contributions	<u>1,881,432</u>	<u>1,654,922</u>	<u>226,510</u>	13.7%
<b>Expenses</b>				
Personal services	584,065	559,225	24,840	4.4%
Utilities	195,782	192,448	3,334	1.7%
Operations and maintenance	117,869	125,956	(8,087)	-6.4%
Insurance	43,100	40,582	2,518	6.2%
Payment in lieu of taxes	50,700	47,868	2,832	5.9%
Other supplies and expenses	63,442	66,815	(3,373)	-5.0%
Housing assistance payments	472,223	434,361	37,862	8.7%
Depreciation	361,476	358,415	3,061	0.9%
Total Expenses	<u>1,888,657</u>	<u>1,825,670</u>	<u>62,987</u>	3.5%
Change in net assets	(7,225)	(170,748)	163,523	
Beginning net assets	<u>6,876,609</u>	<u>7,047,357</u>	<u>(170,748)</u>	
Ending net assets	\$ <u>6,869,384</u>	\$ <u>6,876,609</u>	\$ <u>(7,225)</u>	

*Revenues:*

The operating grants for both Public Housing and Section 8 remained relatively stable, increasing by \$76,643 in 2004. The increase in the capital contributions was due to the fact that work projects during fiscal year ended December 31, 2004 progressed along at a much more rapid pace than the prior year, thus utilizing more of our capital contribution funding in fiscal year ended December 31, 2004 than in fiscal year ended December 31, 2003. Rental revenue increased by 2.6% in 2004, while investment income decreased due to declining interest rates.



## Management's Discussion and Analysis (MD&A) - Continued

### FINANCIAL ANALYSIS (CONTINUED)

#### *Expenses:*

Total Expenses for fiscal year ended December 31, 2003 were \$1,825,670 while for fiscal year ended December 31, 2004 the total was \$1,888,657. This represents an increase of \$62,987 or 3.5% in operating costs, an amount that can be substantially attributed to inflation. While housing assistance payments, utilities and insurance increased, personal services, operations and maintenance and other supplies and expenses decreased.

During fiscal year ended December 31, 2004, St. Clair Shores Housing Commission maintained a lease-up rate of 99.8% in its Public Housing Program and a lease-up rate of 99.6% in its Section 8 program. These lease-up rates are well in excess of HUD guidelines.

### CAPITAL ASSETS

*Capital Assets* - The Housing Commission's investment in capital assets, as of December 31, 2004 amounts to \$5,922,011 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

#### CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION DECEMBER 31

	2004	2003	Dollar Change
Land	\$ 526,000	\$ 526,000	\$ ----
Building	7,023,857	7,023,857	----
Furniture, equipment and machinery-dwelling	85,034	85,034	----
Furniture, equipment and machinery-administration	135,399	130,718	4,681
Leasehold improvements	3,154,081	2,777,954	376,127
Construction in progress	132,498	168,682	(36,184)
	<u>11,056,869</u>	<u>10,712,245</u>	<u>\$ 344,624</u>
Accumulated depreciation	<u>5,134,858</u>	<u>4,773,382</u>	<u>\$ 361,476</u>
Total	<u>\$ 5,922,011</u>	<u>\$ 5,938,863</u>	<u>\$ (16,852)</u>

During fiscal year ended December 31, 2004, our Capital Fund Program work projects included:

**Senior buildings:** We upgraded our community room, common area windows and frames, front lobby, maintenance room and front entrance. In our oldest senior building we installed a suspended ceiling system, upgraded the hallway lighting, and installed new sprinkler heads on the third floor.

**Scattered Site Housing:** The main projects at our scattered site houses were roofing, siding, chimney & foundation upgrades, and cement replacement.

The Commission has \$513,046.73 available in Capital Funds to draw down and spend in the future.

## **Management's Discussion and Analysis (MD&A) - Continued**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

#### *Budget Analysis:*

A Low Rent Public Housing Operating Budget for fye 12/31/04 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Ms. Mary A. Walsh, Executive Director; St. Clair Shores Housing Commission; 1000 Blossom Heath Boulevard; St. Clair Shores, Michigan 48080-2800.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

STATEMENT OF NET ASSETS

December 31, 2004

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 226,518.89
Investments	914,746.58
Receivable - net of allowances:	
Accounts	24,076.46
Accrued interest	4,080.00
Inventory - net of allowances	22,031.78
Prepaid expenses	26,274.10
	<hr/>
Total Current Assets	1,217,727.81

Noncurrent Assets:

Capital assets:

Land, improvements, and construction in progress	658,498.40
Other capital assets, net of depreciation	5,263,512.59
	<hr/>
Total capital assets- net	5,922,010.99
	<hr/>
Total Noncurrent Assets	5,922,010.99
	<hr/>
Total Assets	\$ 7,139,738.80

See notes to financial statements

**ST. CLAIR SHORES HOUSING COMMISSION**  
**St. Clair Shores, Michigan**  
**STATEMENT OF NET ASSETS (CONTINUED)**  
**December 31, 2004**

**LIABILITIES**

**Current Liabilities:**

Accounts Payable	\$ 156,279.19
Accrued salaries, wages and benefits	16,476.94
Accrued compensated absences	2,703.00
Tenant security deposit liability	68,956.51
Deferred revenues	<u>1,609.21</u>
Total Current Liabilities	<u>246,024.85</u>

**Noncurrent Liabilities:**

Accrued compensated absences	<u>24,330.47</u>
Total Noncurrent Liabilities	<u>24,330.47</u>
Total Liabilities	<u>270,355.32</u>

**NET ASSETS**

Invested in capital assets	5,922,010.99
Unrestricted	<u>947,372.49</u>
Total Net Assets	<u>6,869,383.48</u>
Total Liabilities and Net Assets	<u><u>\$ 7,139,738.80</u></u>

See notes to financial statements

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended December 31, 2004

<b>Operating Revenues:</b>	
Rental revenue	\$ 745,935.35
Operating subsidies- HUD grants	759,702.91
Other revenues	<u>11,586.54</u>
Total operating revenues	<u>1,517,224.80</u>
<b>Operating Expenses:</b>	
Personal services	584,065.36
Utilities	195,782.29
Operations and maintenance	117,868.66
Insurance	43,100.08
Payment in lieu of taxes	50,700.14
Other supplies and expenses	63,441.91
Housing assistance payments	472,223.00
Depreciation	<u>361,475.78</u>
Total operating expenses	<u>1,888,657.22</u>
Operating income (loss)	<u>(371,432.42)</u>
<b>Non-operating revenues (expenses):</b>	
Interest and investment earnings	<u>19,583.41</u>
Net non-operating revenues (expenses)	<u>19,583.41</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(351,849.01)
Capital contributions	<u>344,623.58</u>
Change in net assets	(7,225.43)
Net assets at beginning of year	<u>6,876,608.91</u>
Net assets at end of year	<u>\$ 6,869,383.48</u>

See notes to financial statements

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2004

<b>Cash flows from operating activities:</b>	
Cash received from tenants	\$ 746,336.84
Cash received from HUD grants- operating	758,059.91
Cash received from other operating activities	11,586.54
Cash payments for goods and services	(894,863.77)
Cash payments to employees-salaries	(382,541.58)
Cash payments to employees-compensated absences	0.18
Cash payments for employee benefit contributions	(195,412.55)
Cash payments for in lieu of property taxes	(47,868.00)
Net cash provided (used) by operating activities	<u>(4,702.43)</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital contributions	334,475.12
Payments for capital assets	(321,529.12)
Net cash (used) for capital and related financing activities	<u>12,946.00</u>
<b>Cash flows from investing activities:</b>	
Proceeds from sale of (payments) for investments	(11,972.58)
Interest and dividends	23,230.41
Receipts (payments) from tenant security deposits	5,036.51
Net cash provided (used ) from investing activities	<u>16,294.34</u>
Net increase (decrease) in cash and cash equivalents	24,537.91
Cash and cash equivalents at beginning of year	<u>201,980.98</u>
Cash and cash equivalents at end of year	<u>\$ 226,518.89</u>
<b>Noncash Investing, Capital and Financing Activities:</b>	
Acquisition of capital assets on account	<u>\$ 23,094.46</u>

See notes to financial statements

ST. CLAIR SHORES HOUSING COMMISSION  
St. Clair Shores, Michigan  
**STATEMENT OF CASH FLOWS (CONTINUED)**

For Year Ended December 31, 2004

**Reconciliation of operating income (loss) to net cash  
provided (used) by operating activities:**

Operating income (loss)	\$ (371,432.42)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	361,475.78
Allowance for doubtful accounts	(1,001.00)
Changes in assets and liabilities:	
Receivables	753.00
Inventory	(1,085.78)
Prepaid expenses	(1,500.10)
Accounts and other payables	1,327.19
Deferred revenues	649.49
Compensated absences	4,728.47
Accrued expenses	1,382.94
	<hr/>
Net cash provided (used) by operating activities	\$ <u><u>(4,702.43)</u></u>

See notes to financial statements

# ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2004

### NOTE 1 - Summary of Significant Accounting Policies

The St. Clair Shores Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended December 31, 2004, the Housing Commission implemented the new financial reporting requirements of GASB Statement No 34. As a result, an entirely new financial presentation format has been implemented.

#### 1a. Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
---------------------	--------------------

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB no 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

#### 1b. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.



ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1b. Basis of Presentation (Continued)**

Following is a description of the Commission's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

**1c. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Assets, Liabilities, and Equity**

**Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

**Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

**Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

**Budgets and Budgetary Accounting**

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40	years
Furniture, equipment and machinery - dwelling	7	years
Furniture, equipment and machinery - administration	3 - 7	years
Leasehold improvements	15	years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Assets, Liabilities, and Equity (Continued)**

**Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**1e. Revenues, Expenditures, and Expenses**

**Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

**Interfund Transfers**

For the purposes of the Statement of Activities, all interfund transfers between individual programs, if any, have been eliminated.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 2 - Stewardship, Compliance, and Accountability**

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

**2a. Program Accounting Requirements**

The Commission's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development

**2b. Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

**2c. Revenue Restrictions**

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended December 31, 2004, the Commission complied, in all material respects, with these revenue restrictions.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 3 - Detail Notes on Transaction Classes/Accounts**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3a. Cash and Investments**

**Deposits**

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at December 31, 2004. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the Commission (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 228,821.02	\$ 228,821.02	\$ ----	\$ ----	\$ 226,318.89
Total Deposits	\$ 228,821.02	\$ 228,821.02	\$ ----	\$ ----	\$ 226,318.89

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)**

**3a. Cash and Investments (Continued)**

**Investments**

The Commission's policies and applicable laws regarding investments are discussed in Notes 1d. and 2b. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at December 31, 2004. The categories of credit risk are defined as follows:

Category 1—Insured or registered with securities held by the Commission or its agent in the Commission's name

Category 2—Uninsured and unregistered with securities held by counterparty's trust department or agent in the Commission's name

Category 3—Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Commission's name

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Treasury Notes	\$ 501,500.00	\$ ----	\$ ----	\$ 501,500.00	\$ 501,500.00
Certificate of Deposit	413,246.58	----	----	413,246.58	413,246.58
	<u>\$ 914,746.58</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 914,746.58</u>	<u>\$ 914,746.58</u>

**3b. Accounts Receivable**

Receivables detail at December 31, 2004, is as follows:

Tenant accounts receivable	\$ 1,494.00
Allowance for doubtful accounts	(512.00)
	<hr/>
Tenants accounts receivable - net	982.00
Accounts receivable - HUD	23,094.46
	<hr/>
	<u>\$ 24,076.46</u>

**ST. CLAIR SHORES HOUSING COMMISSION**

St. Clair Shores, Michigan

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2004

**NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)**

**3c. Capital Assets**

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance December 31, 2004</u>
Land	\$ 526,000.00	\$ ----	\$ ----	\$ 526,000.00
Building	7,023,857.18	----	----	7,023,857.18
Furniture, equipment and machinery- dwelling	85,033.54	----	----	85,033.54
Furniture, equipment and machinery- administration	130,718.26	4,681.15	----	135,399.41
Leasehold improvements	2,777,954.41	376,126.10	----	3,154,080.51
Construction in progress	168,682.07	----	(36,183.67)	132,498.40
	10,712,245.46	\$ <u>380,807.25</u>	\$ <u>(36,183.67)</u>	11,056,869.04
Accumulated depreciation	4,773,382.27	\$ <u>361,475.78</u>	\$ <u>----</u>	5,134,858.05
Total	\$ <u>5,938,863.19</u>			\$ <u>5,922,010.99</u>

**3d. Accounts Payable**

Payables are composed of payables to vendors and other government as follows:

Vendors	\$ 54,419.24
Other government - PILOT	50,700.14
Other current liabilities	400.00
Accrued liabilities - other	50,759.81
	<u>\$ 156,279.19</u>

**3e. Compensated Absences**

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at December 31, 2004 is \$27,033.47.



**ST. CLAIR SHORES HOUSING COMMISSION**

St. Clair Shores, Michigan

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2004

**NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)**

**3f. Non-current Liabilities**

As of December 31, 2004, the non-current liabilities are comprised of the following:

Accrued Compensated Absences - non current portion	\$ 24,330.47
Total	\$ 24,330.47

The following is a summary of changes in non-current liabilities for the year ended December 31, 2004:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2004</u>	<u>Amounts Due within One Year</u>
Accrued Compensated Absences	\$ 16,729.00	\$ 7,601.47	\$ ----	\$ 24,330.47	\$ 2,703.00
Total	\$ 16,729.00	\$ 7,601.47	\$ ----	\$ 24,330.47	\$ 2,703.00

**3g. Interprogram Transactions and Balances**

*Operating Transfers*

	<u>Transfers in</u>	<u>Transfers out</u>
Public and Indian Housing - Low Rent Capital Fund Program	\$ 36,071.32	\$ ----
	----	36,071.32
Total	\$ 36,071.32	\$ 36,071.32

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations.

*Interprogram Receivable/Payable*

Public and Indian Housing - Low Rent Housing Choice Vouchers	\$ 62,715.14
	(62,715.14)
Total	\$ ----

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Defined Benefit Plan: The Commission has also provided a defined benefit plan. A defined benefit plan depends on the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation. The St. Clair Shores Housing Commission contributes to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, MI 48917-9755. Benefits vest after ten years of service. The Commission contributed 11.37 percent of covered payroll.

For the year ended December 31, 2004, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 383,924.52
Payroll for covered employees	\$ 382,639.32
Employer (Commission) contributions made	\$ 43,506.09

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Authority Risk Reduction Group.
b. Injuries to employees (workers' compensation)	Purchased insurance with Frankenmoth Insurance. Claims are administered by Commercial Insurance.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$2,500 deductibles.
d. Health and life	Purchased health insurance with Blue Cross Blue Shield; Life insurance is provided by Standard Insurance Company.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 4 - Other Notes (Continued)

4c. Commitments and Contingencies

Commitments—Construction

At December 31, 2004, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-03	\$ 319,093.00	\$ 174,511.27
CFP 501-04	<u>369,545.00</u>	<u>1,080.00</u>
	<u>\$ 688,638.00</u>	<u>\$ 175,591.27</u>

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

December 31, 2004

ASSETS	Low Rent Program	Housing Choice Vouchers
Current Assets:		
Cash and cash equivalents	\$ 170,797.64	\$ 55,721.25
Investments	914,746.58	----
Receivable - net of allowances:		
Accounts	982.00	----
Accrued interest	4,080.00	----
Due from (to) interprogram	62,715.14	(62,715.14)
Inventory - net of allowances	22,031.78	----
Prepaid expenses	26,274.10	----
Total Current Assets	<u>1,201,627.24</u>	<u>(6,993.89)</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	526,000.00	----
Other capital assets, net of depreciation	<u>4,884,262.92</u>	----
Total capital assets- net	<u>5,410,262.92</u>	----
Total Noncurrent Assets	<u>5,410,262.92</u>	----
Total Assets	<u>\$ 6,611,890.16</u>	<u>\$ (6,993.89)</u>

**ST. CLAIR SHORES HOUSING COMMISSION**

St. Clair Shores, Michigan

**COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)**

December 31, 2004

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 132,584.73	\$ 600.00
Accrued salaries, wages and benefits	16,476.94	-----
Accrued compensated absences	2,703.00	-----
Tenant security deposit liability	68,956.51	-----
Deferred revenues	1,609.21	-----
Total Current Liabilities	<u>222,330.39</u>	<u>600.00</u>
Noncurrent Liabilities:		
Accrued compensated absences	<u>24,330.47</u>	-----
Total Noncurrent Liabilities	<u>24,330.47</u>	-----
Total Liabilities	<u>246,660.86</u>	<u>600.00</u>
<b>NET ASSETS</b>		
Invested in capital assets	5,410,262.92	-----
Unrestricted	<u>954,966.38</u>	<u>(7,593.89)</u>
Total Net Assets	<u>6,365,229.30</u>	<u>(7,593.89)</u>
Total Liabilities and Net Assets	<u>\$ 6,611,890.16</u>	<u>\$ (6,993.89)</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2004

	Capital Fund Program	Totals
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ ----	\$ 226,518.89
Investments	----	914,746.58
Receivable - net of allowances:		
Accounts	23,094.46	24,076.46
Accrued interest	----	4,080.00
Inventory - net of allowances	----	22,031.78
Prepaid expenses	----	26,274.10
Total Current Assets	<u>23,094.46</u>	<u>1,217,727.81</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	132,498.40	658,498.40
Other capital assets, net of depreciation	<u>379,249.67</u>	<u>5,263,512.59</u>
Total capital assets- net	<u>511,748.07</u>	<u>5,922,010.99</u>
Total Noncurrent Assets	<u>511,748.07</u>	<u>5,922,010.99</u>
Total Assets	<u>\$ 534,842.53</u>	<u>\$ 7,139,738.80</u>

**ST. CLAIR SHORES HOUSING COMMISSION**

St. Clair Shores, Michigan

**COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)**

December 31, 2004

	<u>Capital Fund Program</u>	<u>Totals</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 23,094.46	\$ 156,279.19
Accrued salaries, wages and benefits	-----	16,476.94
Accrued compensated absences	-----	2,703.00
Tenant security deposit liability	-----	68,956.51
Deferred revenues	-----	1,609.21
Total Current Liabilities	<u>23,094.46</u>	<u>246,024.85</u>
Noncurrent Liabilities:		
Accrued compensated absences	-----	24,330.47
Total Noncurrent Liabilities	-----	<u>24,330.47</u>
Total Liabilities	<u>23,094.46</u>	<u>270,355.32</u>
<b>NET ASSETS</b>		
Invested in capital assets	511,748.07	5,922,010.99
Unrestricted	-----	947,372.49
Total Net Assets	<u>511,748.07</u>	<u>6,869,383.48</u>
Total Liabilities and Net Assets	<u>\$ 534,842.53</u>	<u>\$ 7,139,738.80</u>

**ST. CLAIR SHORES HOUSING COMMISSION**

St. Clair Shores, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN FUND NET ASSETS BY PROGRAM**

For Year Ended December 31, 2004

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
<b>Operating Revenues:</b>		
Rental revenue	\$ 745,935.35	\$ -----
Operating subsidies- HUD grants	169,394.00	513,601.00
Other revenues	9,995.31	1,591.23
	<hr/>	<hr/>
Total operating revenues	925,324.66	515,192.23
	<hr/>	<hr/>
<b>Operating Expenses:</b>		
Personal services		
Utilities	514,492.36	48,573.00
Operations and maintenance	195,782.29	-----
Insurance	106,670.37	-----
Payment in lieu of taxes	43,100.08	-----
Other supplies and expenses	50,700.14	-----
Housing assistance payments	52,403.61	2,600.00
Depreciation	-----	472,223.00
	358,802.90	-----
	<hr/>	<hr/>
Total operating expenses	1,321,951.75	523,396.00
	<hr/>	<hr/>
Operating income (loss)	(396,627.09)	(8,203.77)
	<hr/>	<hr/>
<b>Non-operating revenues (expenses):</b>		
Interest and investment earnings	19,216.51	366.90
	<hr/>	<hr/>
Net non-operating revenues (expenses)	19,216.51	366.90
	<hr/>	<hr/>
Income (loss) before other revenues, expenses, gains, losses and transfers	(377,410.58)	(7,836.87)
	<hr/>	<hr/>
Operating transfers in (out)	36,071.32	-----
	<hr/>	<hr/>
Change in net assets	(341,339.26)	(7,836.87)
	<hr/>	<hr/>
Net assets at beginning of year	6,413,915.19	242.98
	<hr/>	<hr/>
Net assets adjusted at beginning of year	6,413,915.19	242.98
Equity transfers	292,653.37	-----
	<hr/>	<hr/>
Net assets at end of year	\$ <u>6,365,229.30</u>	\$ <u>(7,593.89)</u>



**ST. CLAIR SHORES HOUSING COMMISSION**

St. Clair Shores, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2004

	<u>Capital Fund Program</u>	<u>Totals</u>
<b>Operating Revenues:</b>		
Rental revenue	\$ -----	\$ 745,935.35
Operating subsidies- HUD grants	76,707.91	759,702.91
Other revenues	-----	11,586.54
	<u>76,707.91</u>	<u>1,517,224.80</u>
<b>Total operating revenues</b>		
<b>Operating Expenses:</b>		
Personal services	21,000.00	584,065.36
Utilities	-----	195,782.29
Operations and maintenance	11,198.29	117,868.66
Insurance	-----	43,100.08
Payment in lieu of taxes	-----	50,700.14
Other supplies and expenses	8,438.30	63,441.91
Housing assistance payments	-----	472,223.00
Depreciation	2,672.88	361,475.78
	<u>43,309.47</u>	<u>1,888,657.22</u>
<b>Total operating expenses</b>		
<b>Operating income (loss)</b>	<u>33,398.44</u>	<u>(371,432.42)</u>
<b>Non-operating revenues (expenses):</b>		
Interest and investment earnings	-----	19,583.41
	<u>-----</u>	<u>19,583.41</u>
<b>Net non-operating revenues (expenses)</b>		
<b>Income (loss) before other revenues, expenses, gains, losses and transfers</b>	33,398.44	(351,849.01)
Capital contributions	344,623.58	344,623.58
Operating transfers in (out)	(36,071.32)	-----
	<u>341,950.70</u>	<u>(7,225.43)</u>
<b>Change in net assets</b>		
<b>Net assets at beginning of year</b>	<u>462,450.74</u>	<u>6,876,608.91</u>
<b>Net assets adjusted at beginning of year</b>	462,450.74	6,876,608.91
Equity transfers	(292,653.37)	-----
	<u>511,748.07</u>	<u>6,869,383.48</u>
<b>Net assets at end of year</b>	\$ <u>511,748.07</u>	\$ <u>6,869,383.48</u>

# ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

## COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended December 31, 2004

	Low Rent Program	Housing Choice Vouchers
<b>Cash flows from operating activities:</b>		
Cash received from tenants	\$ 746,336.84	\$ -----
Cash received from HUD grants- operating	169,394.00	511,958.00
Cash received from other operating activities	9,995.31	1,591.23
Cash payments for goods and services	(400,404.18)	(474,823.00)
Cash payments to employees-salaries	(328,059.58)	(33,482.00)
Cash payments to employees-compensated absences	0.18	-----
Cash payments for employee benefit contributions	(180,321.55)	(15,091.00)
Cash payments for in lieu of property taxes	(47,868.00)	-----
Net cash provided (used) by operating activities	<u>(30,926.98)</u>	<u>(9,846.77)</u>
<b>Cash flows from noncapital financing activities:</b>		
Operating transfers in (out)	36,071.32	-----
Receipts (payments) from interprograms	<u>514.86</u>	<u>(514.86)</u>
Net cash provided (used) from non capital financing activities	<u>36,586.18</u>	<u>(514.86)</u>
<b>Cash flows from capital and related financing activities:</b>		
Receipts (payments) from interprograms	<u>12,946.00</u>	<u>-----</u>
Net cash (used) for capital and related financing activities	<u>12,946.00</u>	<u>-----</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of (payments) for investments	(11,972.58)	-----
Interest and dividends	22,863.51	366.90
Receipts (payments) from tenant security deposits	<u>5,036.51</u>	<u>-----</u>
Net cash provided (used) from investing activities	<u>15,927.44</u>	<u>366.90</u>
Net increase (decrease) in cash and cash equivalents	34,532.64	(9,994.73)
Cash and cash equivalents at beginning of year	<u>136,265.00</u>	<u>65,715.98</u>
Cash and cash equivalents at end of year	<u>\$ 170,797.64</u>	<u>\$ 55,721.25</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2004

	Low Rent Program	Housing Choice Vouchers
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (396,627.09)	\$ (8,203.77)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	358,802.90	----
Allowance for doubtful accounts	(1,001.00)	----
Changes in assets and liabilities:		
Receivables	753.00	----
Inventory	(1,085.78)	----
Prepaid expenses	(1,500.10)	----
Accounts and other payables	2,970.19	(1,643.00)
Deferred revenues	649.49	----
Compensated absences	4,728.47	----
Accrued expenses	1,382.94	----
Net cash provided (used) by operating activities	\$ <u>(30,926.98)</u>	\$ <u>(9,846.77)</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2004

	Capital Fund Program	Totals
<b>Cash flows from operating activities:</b>		
Cash received from tenants	\$ ----	\$ 746,336.84
Cash received from HUD grants- operating	76,707.91	758,059.91
Cash received from other operating activities	----	11,586.54
Cash payments for goods and services	(19,636.59)	(894,863.77)
Cash payments to employees-salaries	(21,000.00)	(382,541.58)
Cash payments to employees-compensated absences	----	0.18
Cash payments for employee benefit contributions	----	(195,412.55)
Cash payments for in lieu of property taxes	----	(47,868.00)
Net cash provided (used) by operating activities	<u>36,071.32</u>	<u>(4,702.43)</u>
<b>Cash flows from noncapital financing activities:</b>		
Operating transfers in (out)	<u>(36,071.32)</u>	<u>----</u>
Net cash provided (used) from non capital financing activities	<u>(36,071.32)</u>	<u>----</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital contributions	334,475.12	334,475.12
Receipts (payments) from interprograms	(12,946.00)	----
Payments for capital assets	<u>(321,529.12)</u>	<u>(321,529.12)</u>
Net cash (used) for capital and related financing activities	<u>----</u>	<u>12,946.00</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of (payments) for investments	----	(11,972.58)
Interest and dividends	----	23,230.41
Receipts (payments) from tenant security deposits	<u>----</u>	<u>5,036.51</u>
Net cash provided (used) from investing activities	<u>----</u>	<u>16,294.34</u>
Net increase (decrease) in cash and cash equivalents	----	24,537.91
Cash and cash equivalents at beginning of year	<u>----</u>	<u>201,980.98</u>
Cash and cash equivalents at end of year	<u>\$ ----</u>	<u>\$ 226,518.89</u>
<b>Noncash Investing, Capital and Financing Activities:</b>		
Acquisition of capital assets on account	<u>\$ 23,094.46</u>	<u>\$ 23,094.46</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2004

	Capital Fund Program	Totals
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 33,398.44	\$ (371,432.42)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,672.88	361,475.78
Allowance for doubtful accounts	----	(1,001.00)
Changes in assets and liabilities:		
Receivables	----	753.00
Inventory	----	(1,085.78)
Prepaid expenses	----	(1,500.10)
Accounts and other payables	----	1,327.19
Deferred revenues	----	649.49
Compensated absences	----	4,728.47
Accrued expenses	----	1,382.94
Net cash provided (used) by operating activities	\$ <u>36,071.32</u>	\$ <u>(4,702.43)</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended December 31, 2004

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<b>Public and Indian Housing Nonmajor - Direct Program</b>		
2004	Low Rent Program	14.850a	\$ <u>169,394.00</u>
	<b>Low Income Public Housing Major - Direct Program</b>		
2004	Housing Choice Vouchers	14.871	\$ <u>513,601.00</u>
	<b>Public and Indian Housing Major - Direct Program</b>		
2004	Capital Fund program	14.872	\$ <u>421,331.49</u>
	<b>Total</b>		\$ <u>1,104,326.49</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1 - Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

PHA'S STATEMENT AND CERTIFICATION OF  
CAPITAL FUND PROGRAM COSTS

December 31, 2004

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-02</u>
Funds approved	\$ 387,818.00
Funds expended	<u>387,818.00</u>
Excess of Funds Approved	\$ <u>-----</u>
 Funds advanced	 \$ 387,818.00
Funds expended	<u>387,818.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated February 4, 2005 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2004.
3. All costs have been paid and all related liabilities have been discharged through payments.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

PHA'S STATEMENT AND CERTIFICATION OF  
CAPITAL FUND PROGRAM COSTS

December 31, 2004

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 502-03</u>
Funds approved	\$ 63,594.00
Funds expended	<u>63,594.00</u>
Excess of Funds Approved	\$ <u>-----</u>
 Funds advanced	 \$ 63,594.00
Funds expended	<u>63,594.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated February 4, 2005 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2004.
3. All costs have been paid and all related liabilities have been discharged through payments.



ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE

Year Ended December 31, 2004

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	<b>Assets:</b>		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ 170,797.64	\$ 55,721.25
100	Total cash	170,797.64	55,721.25
	Accounts and notes receivable:		
126	Accounts receivable- tenants-dwelling rents	1,494.00	----
126.1	Allowance for doubtful accounts-dwelling rents	(512.00)	----
129	Accrued interest receivable	4,080.00	----
120	Total receivables, net of allowance for doubtful accounts	5,062.00	----
	Current investments:		
131	Investments-unrestricted	914,746.58	----
142	Prepaid expenses and other assets	26,274.10	----
143	Inventories	22,031.78	----
144/ (347)	Interprogram due from	62,715.14	(62,715.14)
150	Total current assets	1,201,627.24	(6,993.89)
	Noncurrent Assets:		
	Fixed assets:		
161	Land	526,000.00	----
162	Buildings	7,023,857.18	----
163	Furniture, equipment and machinery-dwellings	85,033.54	----
164	Furniture, equipment and machinery-administration	129,541.28	----
165	Leasehold improvements	2,777,954.41	----
166	Accumulated depreciation	(5,132,123.49)	----
160	Total fixed assets, net of accumulated depreciation	5,410,262.92	----
180	Total noncurrent assets	5,410,262.92	----
190	Total Assets	\$ 6,611,890.16	\$ (6,993.89)

**ST. CLAIR SHORES HOUSING COMMISSION**

St. Clair Shores, Michigan

**FINANCIAL DATA SCHEDULE (CONTINUED)**

Year Ended December 31, 2004

FDS Line Item No.	Low Rent Program 14.850a	Housing Choice Vouchers 14.871
<b>Liabilities and Equity:</b>		
Liabilities:		
Current Liabilities:		
312 Accounts payable < 90 days	\$ (30,724.78)	\$ (600.00)
321 Accrued wage / payroll taxes payable	(16,476.94)	-----
322 Accrued compensated absences- current portion	(2,703.00)	-----
333 Accounts payable -other government	(50,700.14)	-----
341 Tenant security deposits	(68,956.51)	-----
342 Deferred revenues	(1,609.21)	-----
345 Other current liabilities	(400.00)	-----
346 Accrued liabilities-other	(50,759.81)	-----
	<hr/>	<hr/>
310 Total current liabilities	(222,330.39)	(600.00)
	<hr/>	<hr/>
Noncurrent Liabilities:		
354 Accrued compensated absences- non current portion	(24,330.47)	-----
	<hr/>	<hr/>
350 Total noncurrent liabilities	(24,330.47)	-----
	<hr/>	<hr/>
300 Total liabilities	(246,660.86)	(600.00)
	<hr/>	<hr/>
Equity:		
508.1 Investment in capital assets , Net of Related Debt	(5,410,262.92)	-----
	<hr/>	<hr/>
512.1 Unrestricted Net Assets	(954,966.38)	7,593.89
	<hr/>	<hr/>
600 Total Liabilities and Equity	\$ (6,611,890.16)	\$ 6,993.89
	<hr/>	<hr/>

**ST. CLAIR SHORES HOUSING COMMISSION**

St. Clair Shores, Michigan

**FINANCIAL DATA SCHEDULE (CONTINUED)**

Year Ended December 31, 2004

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	<b>Revenue:</b>		
703	Net rental revenue	\$ (738,662.00)	\$ -----
704	Tenant revenue-other	(6,939.21)	-----
705	Total tenant revenue	(745,601.21)	-----
706	HUD PHA operating grants	(169,394.00)	(513,601.00)
711	Investment income-unrestricted	(19,216.51)	(366.90)
714	Fraud recovery	-----	(889.00)
715	Other revenue	(9,995.31)	(702.23)
700	Total revenue	(944,207.03)	(515,559.13)
	<b>Expenses:</b>		
	Administrative		
911	Administrative salaries	150,853.73	33,482.00
912	Auditing fees	2,700.00	-----
914	Compensated absences	4,728.29	-----
915	Employee benefit contributions-administrative	82,948.00	15,091.00
916	Other operating-administrative	44,169.60	2,600.00
	Tenant services		
924	Tenant services-other	5,534.01	-----
	Utilities		
931	Water	49,753.44	-----
932	Electricity	71,062.97	-----
933	Gas	74,965.88	-----
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	178,588.79	-----
942	Ordinary maintenance and operation-materials & other	32,688.92	-----
943	Ordinary maintenance and operation-contract costs	73,981.45	-----
945	Employee benefit contributions-ordinary maintenance	97,373.55	-----

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	General expenses		
961	Insurance premiums	43,100.08	----
963	Payments in lieu of taxes	50,700.14	----
964	Bad debts- tenant rents	(334.14)	----
969	Total operating expenses	962,814.71	51,173.00
970	Excess (deficit) operating revenue over operating expenses	(18,607.68)	464,386.13
973	Housing assistance payments	----	472,223.00
974	Depreciation expense	358,802.90	----
	Total expenses other than total operating	358,802.90	472,223.00
	Excess (deficit) of revenue over expenses before		
1000	operating transfers in (out) and depreciation add back	(377,410.58)	(7,836.87)
1001	Operating transfers in	36,071.32	----
	Excess (deficit) of revenue over expenses after		
	operating transfers in (out) and depreciation add back	\$ (341,339.26)	\$ (7,836.87)

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Capital Fund Program 14.872	Total
	<b>Assets:</b>		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ -----	\$ 226,518.89
100	Total cash	-----	226,518.89
	Accounts and notes receivable:		
122	Accounts receivable-HUD	23,094.46	23,094.46
126	Accounts receivable- tenants-dwelling rents	-----	1,494.00
126.1	Allowance for doubtful accounts-dwelling rents	-----	(512.00)
129	Accrued interest receivable	-----	4,080.00
120	Total receivables, net of allowance for doubtful accounts	23,094.46	28,156.46
	Current investments:		
131	Investments-unrestricted	-----	914,746.58
142	Prepaid expenses and other assets	-----	26,274.10
143	Inventories	-----	22,031.78
150	Total current assets	23,094.46	1,217,727.81
	Noncurrent Assets:		
	Fixed assets:		
161	Land	-----	526,000.00
162	Buildings	-----	7,023,857.18
163	Furniture, equipment and machinery-dwellings	-----	85,033.54
164	Furniture, equipment and machinery-administration	5,858.13	135,399.41
165	Leasehold improvements	376,126.10	3,154,080.51
166	Accumulated depreciation	(2,734.56)	(5,134,858.05)
167	Construction in progress	132,498.40	132,498.40
160	Total fixed assets, net of accumulated depreciation	511,748.07	5,922,010.99
180	Total noncurrent assets	511,748.07	5,922,010.99
190	Total Assets	\$ 534,842.53	\$ 7,139,738.80

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Capital Fund Program 14.872	Total
	<b>Liabilities and Equity:</b>		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ (23,094.46)	\$ (54,419.24)
321	Accrued wage / payroll taxes payable	----	(16,476.94)
322	Accrued compensated absences- current portion	----	(2,703.00)
333	Accounts payable -other government	----	(50,700.14)
341	Tenant security deposits	----	(68,956.51)
342	Deferred revenues	----	(1,609.21)
345	Other current liabilities	----	(400.00)
346	Accrued liabilities-other	----	(50,759.81)
310	Total current liabilities	(23,094.46)	(246,024.85)
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	----	(24,330.47)
350	Total noncurrent liabilities	----	(24,330.47)
300	Total liabilities	(23,094.46)	(270,355.32)
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	(511,748.07)	(5,922,010.99)
512.1	Unrestricted Net Assets	----	(947,372.49)
600	Total Liabilities and Equity	\$ (534,842.53)	\$ (7,139,738.80)

**ST. CLAIR SHORES HOUSING COMMISSION**

St. Clair Shores, Michigan

**FINANCIAL DATA SCHEDULE (CONTINUED)**

Year Ended December 31, 2004

FDS Line Item No.	Capital Fund Program 14.872	Total
<b>Revenue:</b>		
703 Net rental revenue	\$ ----	\$ (738,662.00)
704 Tenant revenue-other	----	(6,939.21)
705 Total tenant revenue	----	(745,601.21)
706 HUD PHA operating grants	(76,707.91)	(759,702.91)
706.1 HUD PHA capital grants	(344,623.58)	(344,623.58)
711 Investment income-unrestricted	----	(19,583.41)
714 Fraud recovery	----	(889.00)
715 Other revenue	----	(10,697.54)
700 Total revenue	(421,331.49)	(1,881,097.65)
<b>Expenses:</b>		
Administrative		
911 Administrative salaries	21,000.00	205,335.73
912 Auditing fees	----	2,700.00
914 Compensated absences	----	4,728.29
915 Employee benefit contributions-administrative	----	98,039.00
916 Other operating-administrative	8,438.30	55,207.90
Tenant services		
924 Tenant services-other	----	5,534.01
Utilities		
931 Water	----	49,753.44
932 Electricity	----	71,062.97
933 Gas	----	74,965.88
Ordinary maintenance and operation		
941 Ordinary maintenance and operation-labor	----	178,588.79
942 Ordinary maintenance and operation-materials & other	2,807.29	35,496.21
943 Ordinary maintenance and operation-contract costs	8,391.00	82,372.45
945 Employee benefit contributions-ordinary maintenance	----	97,373.55

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Capital Fund Program 14.872	Total
	General expenses		
961	Insurance premiums	----	43,100.08
963	Payments in lieu of taxes	----	50,700.14
964	Bad debts- tenant rents	----	(334.14)
969	Total operating expenses	40,636.59	1,054,624.30
970	Excess (deficit) operating revenue over operating expenses	380,694.90	826,473.35
973	Housing assistance payments	----	472,223.00
974	Depreciation expense	2,672.88	361,475.78
	Total expenses other than total operating	2,672.88	833,698.78
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	378,022.02	(7,225.43)
1001	Operating transfers in	----	36,071.32
1002	Operating transfers out	(36,071.32)	(36,071.32)
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ 341,950.70	\$ (7,225.43)



# Sailor Khan & Co.

Certified Public Accountants

## Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners  
St. Clair Shores Housing Commission  
St. Clair Shores, Michigan

We have audited the financial statements of the St. Clair Shores Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2004, and have issued our report thereon dated May 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

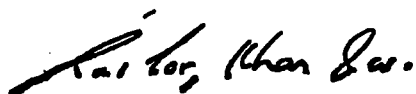
### Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the St. Clair Shores Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.  
May 11, 2005

**Report on Compliance with Requirements Applicable to Each Major Program and  
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners  
St. Clair Shores Housing Commission  
St. Clair Shores, Michigan

**Compliance**

We have audited the compliance of the St. Clair Shores Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission compliance with those requirements.

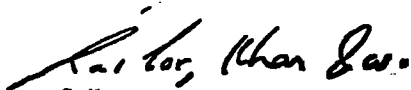
In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

**Internal Control Over Compliance**

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the St. Clair Shores Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.  
May 11, 2005

**ST. CLAIR SHORES HOUSING COMMISSION**

**St. Clair Shores, Michigan**

**STATUS OF PRIOR AUDIT FINDINGS**

**December 31, 2004**

The prior audit report for the year ended December 31, 2003 contained no audit findings.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2004

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	No
Identification of major programs:	

CFDA	
Number(s)	Name of Federal Program
14-871	Section 8 Housing Choice Vouchers
14-872	Public and Indian Housing - Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**ST. CLAIR SHORES HOUSING COMMISSION**

**St. Clair Shores, Michigan**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**December 31, 2004**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The current audit report for the year ended December 31, 2004 disclosed no Financial Statement audit findings.

**SECTION III - FEDERAL AWARD FINDINGS**

The current audit report for the year ended December 31, 2004 disclosed no Federal Awards audit findings.

**QUESTIONED COSTS**

None